

**Chi Mei Materials Technology Corporation
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Chi Mei Materials Technology Corporation as of and for the year ended December 31, 2017, under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10 "Consolidated Financial Statements". In addition, the relevant information required to be disclosed in the combined financial statements has all been disclosed in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

Very truly yours,

Chi Mei Materials Technology Corporation

By

Jau-Yang Ho
Chairman

A handwritten signature in black ink, appearing to read "Jau-Yang Ho", is written over a horizontal line.

March 19, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chi Mei Materials Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Chi Mei Materials Technology Corporation (CMMT) and its subsidiaries (collectively referred to as the Corporation), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's consolidated financial statement for the year ended December 31, 2017 are stated as follows:

Timing of Revenue Recognition

CMMT's major source of revenue comes from the sale of polarizing film. This kind of revenue is mainly recognized when the significant risks and rewards of ownership of the goods are transferred to the customers upon delivery to carriers approved by the customers or to the designated destination. However, there remains a risk of revenue not being recorded in an appropriate period before the significant risks and rewards of ownership

of the goods have been transferred to the customers where physical deliveries have not been fulfilled. As a result, we considered timing for revenue recognition as a key audit matter. Refer to Note 4 to the consolidated financial statements for detailed information on revenue recognition.

Our main audit procedures performed in respect of the above area include the following:

1. Considered CMMT's accounting policy for revenue recognition;
2. Evaluated and tested the design and operating effectiveness of internal controls over revenue recognition;
3. Selected all samples of shipments before and after the year-end for a specific period of time and vouched for supporting evidence and records to ensure the accuracy of the timing of revenue recognition;
4. Evaluated whether the risks and rewards of ownership for the goods had been transferred.

Impairment Assessment of Property, Plant and Equipment (PP&E) and Intangible Assets

When an indication of an asset's impairment exists, management should perform an impairment assessment, which incorporates judgments based on assumptions about the future profitability for the related businesses against which appropriate long-term growth rates and discount rates must be applied. Management's estimation about the recoverable amounts of PP&E and intangible assets is complicated and has significant uncertainty, especially in the assumptions surrounding the estimated discount rate and future expected cash flows, which depended on changing economic or market trends. Therefore, the impairment assessment of PP&E and intangible assets is identified as a key audit matter. Refer to Notes 4, 5, 12 and 14 to the consolidated financial statements for the details about PP&E and intangible assets.

We inquired of management and understood the process and basis by which management assessed assets for impairment assessment; and tested the effectiveness of the Corporation's internal control. We also challenged the assumptions underpinning the impairment assessment models, including the discount rates used, long-term growth rates and cash flow forecasts. This was achieved through the assistance of Deloitte valuation specialists critically assessing the discount rate and long-term growth rates applied by management and assessing the reasonableness of forecasted future cash flows by comparison to historical performance and future outlook.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hui Chen and Shu-Chieh Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 30)	\$ 4,497,296	19	\$ 4,341,520	21
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	-	-	167,266	1
Available-for-sale financial assets - current (Notes 4, 8 and 30)	-	-	12,028	-
Notes receivable, net (Notes 9 and 30)	484,392	2	-	-
Notes receivable - related parties (Notes 9, 30 and 31)	4,565	-	-	-
Accounts receivable, net (Notes 4, 5, 9 and 30)	3,062,933	13	2,979,938	14
Other receivables (Notes 9 and 30)	160,660	1	106,359	1
Other receivables - related parties (Notes 9 and 31)	12,422	-	5	-
Inventories (Notes 4, 5 and 10)	2,282,710	10	2,041,903	10
Other current assets (Note 15)	<u>1,192,073</u>	<u>5</u>	<u>827,578</u>	<u>4</u>
Total current assets	<u>11,697,051</u>	<u>50</u>	<u>10,476,597</u>	<u>51</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 5 and 12)	11,169,695	48	9,639,819	47
Goodwill (Notes 4 and 13)	8,056	-	8,056	-
Other intangible assets (Notes 4 and 14)	87,576	-	50,552	-
Deferred tax assets (Notes 4, 5 and 23)	56,502	-	-	-
Other non-current assets (Note 15)	<u>439,711</u>	<u>2</u>	<u>427,768</u>	<u>2</u>
Total non-current assets	<u>11,761,540</u>	<u>50</u>	<u>10,126,195</u>	<u>49</u>
TOTAL	<u>\$ 23,458,591</u>	<u>100</u>	<u>\$ 20,602,792</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Notes 16 and 30)	\$ 3,813,259	16	\$ 3,451,626	17
Short-term bills payable (Notes 16 and 30)	100,000	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	349	-	19,822	-
Notes payable (Notes 17 and 30)	132,463	1	-	-
Accounts payable (Notes 17 and 30)	1,974,351	8	1,864,954	9
Other payables (Notes 18 and 30)	1,480,747	6	804,691	4
Other payables - related parties (Notes 30 and 31)	1,144	-	-	-
Current tax liabilities (Notes 4, 5 and 23)	435	-	436	-
Provisions - current (Notes 4 and 19)	9,564	-	1,647	-
Current portion of long-term bank loans (Notes 16 and 30)	2,639,833	11	1,345,181	7
Other current liabilities (Note 18)	<u>25,004</u>	<u>-</u>	<u>32,059</u>	<u>-</u>
Total current liabilities	<u>10,177,149</u>	<u>43</u>	<u>7,520,416</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term bank loans (Note 16 and 30)	-	-	-	-
Deferred tax liabilities (Notes 4, 5 and 23)	-	-	82,759	-
Guarantee deposits	<u>171</u>	<u>-</u>	<u>85</u>	<u>-</u>
Total non-current liabilities	<u>171</u>	<u>-</u>	<u>82,844</u>	<u>-</u>
Total liabilities	<u>10,177,320</u>	<u>43</u>	<u>7,603,260</u>	<u>37</u>
EQUITY ATTRIBUTABLE TO THE OWNERS OF CMMT (Notes 4 and 21)				
Share capital				
Common shares	<u>6,657,285</u>	<u>28</u>	<u>5,157,285</u>	<u>25</u>
Capital surplus	<u>856,768</u>	<u>4</u>	<u>453,761</u>	<u>2</u>
Retained earnings				
Legal reserve	1,085,124	5	1,085,124	5
Special reserve	202,973	1	36,849	-
Unappropriated earnings	<u>2,789,804</u>	<u>12</u>	<u>4,182,188</u>	<u>21</u>
	<u>4,077,901</u>	<u>18</u>	<u>5,304,161</u>	<u>26</u>
Other equity	<u>(246,224)</u>	<u>(1)</u>	<u>(202,973)</u>	<u>(1)</u>
Total equity attributable to the owners of CMMT	11,345,730	49	10,712,234	52
NON-CONTROLLING INTERESTS (Notes 4 and 21)	<u>1,935,541</u>	<u>8</u>	<u>2,287,298</u>	<u>11</u>
Total equity	<u>13,281,271</u>	<u>57</u>	<u>12,999,532</u>	<u>63</u>
TOTAL	<u>\$ 23,458,591</u>	<u>100</u>	<u>\$ 20,602,792</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
NET SALES (Note 4)	\$ 11,440,772	100	\$ 10,374,172	100
COST OF SALES (Notes 10, 20 and 22)	<u>12,189,884</u>	<u>106</u>	<u>11,170,927</u>	<u>108</u>
GROSS LOSS	<u>(749,112)</u>	<u>(6)</u>	<u>(796,755)</u>	<u>(8)</u>
OPERATING EXPENSES (Notes 20, 22 and 31)				
Selling and marketing expenses	224,416	2	230,258	2
General and administrative expenses	256,749	2	206,684	2
Research and development expenses	<u>440,846</u>	<u>4</u>	<u>338,671</u>	<u>4</u>
Total operating expenses	<u>922,011</u>	<u>8</u>	<u>775,613</u>	<u>8</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 22 and 34)	<u>-</u>	<u>-</u>	<u>(33,870)</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(1,671,123)</u>	<u>(14)</u>	<u>(1,606,238)</u>	<u>(16)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 22 and 31)				
Other income	47,890	-	91,014	1
Other gains and losses	67,143	1	(13,608)	-
Finance costs	<u>(126,827)</u>	<u>(1)</u>	<u>(14,639)</u>	<u>-</u>
Total non-operating income and expenses	<u>(11,794)</u>	<u>-</u>	<u>62,767</u>	<u>1</u>
LOSS BEFORE INCOME TAX	(1,682,917)	(14)	(1,543,471)	(15)
INCOME TAX BENEFITS (Notes 4, 5 and 23)	<u>(132,891)</u>	<u>(1)</u>	<u>(59,609)</u>	<u>(1)</u>
NET LOSS FOR THE YEAR	<u>(1,550,026)</u>	<u>(13)</u>	<u>(1,483,862)</u>	<u>(14)</u>
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	(72,632)	(1)	(415,325)	(4)
Unrealized loss on available-for-sale financial assets (Note 21)	<u>(28)</u>	<u>-</u>	<u>(11,145)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(72,660)</u>	<u>(1)</u>	<u>(426,470)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (1,622,686)</u>	<u>(14)</u>	<u>\$ (1,910,332)</u>	<u>(18)</u>

(Continued)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2017		2016	
	Amount	%	Amount	%
NET LOSS ATTRIBUTABLE TO:				
Owners of CMMT	\$ (1,226,260)	(11)	\$ (1,483,921)	(14)
Non-controlling interests	<u>(323,766)</u>	<u>(3)</u>	<u>59</u>	<u>-</u>
	<u>\$ (1,550,026)</u>	<u>(14)</u>	<u>\$ (1,483,862)</u>	<u>(14)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of CMMT	\$ (1,269,892)	(11)	\$ (1,794,388)	(17)
Non-controlling interests	<u>(352,794)</u>	<u>(3)</u>	<u>(115,944)</u>	<u>(1)</u>
	<u>\$ (1,622,686)</u>	<u>(14)</u>	<u>\$ (1,910,332)</u>	<u>(18)</u>
LOSS PER SHARE (Note 24)				
Basic loss per share	<u>\$ (2.18)</u>		<u>\$ (2.88)</u>	
Diluted loss per share	<u>\$ (2.18)</u>		<u>\$ (2.88)</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of CMMT (Note 21)										
	Share Capital			Retained Earnings			Other Equity		Total	Non-controlling Interests	Total Equity
	Shares (In Thousand)	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchanges Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2016	515,729	\$ 5,157,285	\$ 400,487	\$ 980,245	\$ 36,849	\$ 6,028,852	\$ 96,357	\$ 11,137	\$ 12,711,212	\$ 221,941	\$ 12,933,153
Appropriation of prior year's earnings											
Legal reserve	-	-	-	104,879	-	(104,879)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	-	(257,864)	-	-	(257,864)	-	(257,864)
Differences between purchasing price and carrying amount arising from acquisition or disposal of subsidiaries	-	-	3,062	-	-	-	-	-	3,062	(3,062)	-
Changes in equity of subsidiaries	-	-	50,212	-	-	-	-	-	50,212	2,178,363	2,228,575
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	6,000	6,000
Net loss for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	-	-	(1,483,921)	59	(1,483,862)
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	-	-	(299,353)	(11,114)	(310,467)	(116,003)	(426,470)
Total comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	(1,483,921)	(299,353)	(11,114)	(1,794,388)	(115,944)	(1,910,332)
BALANCE AT DECEMBER 31, 2016	515,729	5,157,285	453,761	1,085,124	36,849	4,182,188	(202,996)	23	10,712,234	2,287,298	12,999,532
Appropriation of prior year's earnings											
Special reserve	-	-	-	-	166,124	(166,124)	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	5,876	5,876
Net loss for the year ended December 31, 2017	-	-	-	-	-	(1,226,260)	-	-	(1,226,260)	(323,766)	(1,550,026)
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	(43,609)	(23)	(43,632)	(29,028)	(72,660)
Total comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(1,226,260)	(43,609)	(23)	(1,269,892)	(352,794)	(1,622,686)
Issue of common shares for cash	150,000	1,500,000	403,007	-	-	-	-	-	1,903,007	-	1,903,007
Disposals of subsidiaries	-	-	-	-	-	-	381	-	381	(4,839)	(4,458)
BALANCE AT DECEMBER 31, 2017	<u>665,729</u>	<u>\$ 6,657,285</u>	<u>\$ 856,768</u>	<u>\$ 1,085,124</u>	<u>\$ 202,973</u>	<u>\$ 2,789,804</u>	<u>\$ (246,224)</u>	<u>\$ -</u>	<u>\$ 11,345,730</u>	<u>\$ 1,935,541</u>	<u>\$ 13,281,271</u>

The accompanying notes are an integral part of the consolidated financial statements.

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,682,917)	\$ (1,543,471)
Adjustments for:		
Depreciation expenses	968,042	829,672
Amortization expenses	40,077	22,444
Impairment loss recognized on accounts receivable	-	1,523
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(2,457)	19,550
Finance costs	126,827	14,639
Interest income	(21,474)	(42,773)
Gain on disposal of property, plant and equipment	(36)	(121)
Recognition of provisions	9,564	11,734
Net gain on disposal of available-for-sale financial assets	(45)	(24,761)
Gain on disposal of subsidiaries	(1,303)	-
(Reversal of) write-down of inventories	(2,182)	241,593
Impairment loss recognized on property, plant and equipment	-	291,090
Net gain on foreign currency exchange	(22,778)	(530,644)
Changes in operating assets and liabilities:		
Notes receivable (including related parties)	(488,957)	-
Accounts receivable	(173,360)	557,976
Other receivables (including related parties)	(54,497)	(61,093)
Inventories	(229,981)	(158,351)
Prepayments	13,550	(213,508)
Other current assets	(243,413)	(373,443)
Other non-current assets	(10)	-
Notes payable	132,463	-
Accounts payable	40,989	140,977
Other payables	35,897	(44,541)
Provisions	(1,647)	(10,087)
Other current liabilities	(7,017)	(445)
Cash used in operations	(1,564,665)	(872,040)
Interest paid	(119,510)	(14,794)
Income tax paid	(6,371)	(142,302)
Net cash used in operating activities	<u>(1,690,546)</u>	<u>(1,029,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(3,825,470)	(1,846,800)
Proceeds from sale of financial assets designated as at fair value through profit or loss	3,973,837	1,686,044
Purchase of available-for-sale financial assets	-	(1,889,200)
Proceeds from sale of available-for-sale financial assets	12,045	2,086,029
		(Continued)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Net cash inflow on acquisition of subsidiaries	\$ 5,343	\$ -
Net cash outflow on disposal of subsidiaries	(13,861)	-
Payments for property, plant and equipment	(1,686,527)	(3,285,992)
Proceeds from disposal of property, plant and equipment	393	3,951
(Increase) decrease in refundable deposits	(9,939)	1,541
Payments for intangible assets	(29,760)	(19,281)
(Increase) decrease in other financial assets	(134,707)	869,553
Decrease (increase) in other non-current assets	1,366	(3,872)
Increase in prepayments for equipment	(148,130)	(344,874)
Interest received	<u>21,550</u>	<u>44,747</u>
Net cash used in investing activities	<u>(1,833,860)</u>	<u>(2,698,154)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term bank loans	291,592	1,832,269
Proceeds from short-term bills payable	100,000	-
Proceeds from long-term bank loans	1,412,173	1,345,181
Proceeds from guarantee deposits received	86	10
Dividends paid to shareholders	-	(257,864)
Issue of cash dividends from capital surplus	1,903,007	-
Changes in non-controlling interests	<u>-</u>	<u>2,234,575</u>
Net cash generated from financing activities	<u>3,706,858</u>	<u>5,154,171</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(26,676)</u>	<u>(17,508)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	155,776	1,409,373
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,341,520</u>	<u>2,932,147</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,497,296</u>	<u>\$ 4,341,520</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Chi Mei Materials Technology Corporation (CMMT) was incorporated in the Republic of China (ROC) on May 17, 2005. CMMT and its subsidiaries (collectively referred to as the Corporation) specializes in manufacturing optoelectronic materials and components (polarizing film). CMMT's main business activities include the manufacture and sale of polarizing films. On October 24, 2011, CMMT's shares were listed on the Taiwan Stock Exchange (TWSE).

Since September 2017, CMMT's common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol "US16935L1098" in the form of global depositary shares.

The consolidated financial statements are presented in CMMT's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors on March 19, 2018.

3. APPLICATION OF NEW/REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation's accounting policies:

- 1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which an impairment loss has been recognized or reversed is the fair value less costs of disposal, the Corporation is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment will be applied retrospectively starting from January 1, 2017.

2) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combinations with acquisition dates on or after January 1, 2017. Refer to Note 26 for information on business combinations that occurred in 2017.

The amended IFRS 8 requires the Corporation to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Corporation is a related party of the Corporation. Consequently, the Corporation is required to disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3 and IFRS 13, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The amendments stipulate that an entity should use appropriate depreciation and amortization methods to reflect the pattern in which the future economic benefits of property, plant and equipment and intangible assets are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” stipulates that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” clarifies there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which an intangible asset is expressed as a measure of revenue (for example, a contract that specifies that the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of the impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Corporation, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Corporation has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Corporation’s respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively starting from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 31 for related disclosures.

- b. Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018
(Concluded)	

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments” and related amendment

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Corporation elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

Impact on Assets, Liabilities and Equity	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Other financial assets	\$ 273,539	\$ (273,539)	\$ -
Financial assets measured at amortized cost - current	<u>-</u>	<u>273,539</u>	<u>273,539</u>
Total effect on assets	<u>\$ 273,539</u>	<u>\$ -</u>	<u>\$ 273,539</u>

2) IFRS 15 “Revenue from Contracts with Customers” and the related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Corporation recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Corporation satisfies a performance obligation.

In addition, the Corporation will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated effect of retrospectively applying IFRS 15 is detailed below:

Impact on Assets, Liabilities and Equity	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>December 31, 2017</u>			
Provisions - current	\$ 9,564	\$ (9,564)	\$ -
Advance receipts	9,479	(9,479)	-
Contract liabilities	<u>-</u>	<u>-</u>	<u>19,043</u>
Total effect on liabilities	<u>\$ 19,043</u>	<u>\$ (19,043)</u>	<u>\$ 19,043</u>

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type; and, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Corporation shall apply these amendments to any plan amendment, curtailment or settlement occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation as lessor.

When IFRS 16 becomes effective, the Corporation may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Corporation shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of CMMT and its subsidiaries.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by CMMT.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of CMMT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Corporation and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of CMMT.

When the Corporation loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Corporation accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

See mm 11 and Table 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Corporation's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing these financial statements of each individual group entity, transactions in currencies other than the Corporation's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries in other countries that use currency different from the currency of CMMT) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of CMMT and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of CMMT are reclassified to profit or loss.

g. Inventories

Inventories consist of commodities, raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit

pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Corporation disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at their fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 30.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

iii. Loans and receivables

Loans and receivables (including accounts receivable and cash and cash equivalents) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as accounts receivable and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as

well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and other receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of the materials' ownership.

2) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Income taxes

As of December 31, 2017 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses and future deductible temporary differences was NT\$462,442 thousand and NT\$455,049 thousand, respectively. As of December 31, 2017 and 2016, no deferred tax asset has been recognized on tax losses and future deductible temporary differences of NT\$401,788 thousand and NT\$444,596 thousand, respectively, due to the unpredictability of future profit streams. The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Fair value measurements and valuation processes

If some of the Corporation's assets and liabilities measured at fair value have no quoted prices in active markets, the Corporation determines whether to engage third party qualified appraisers and determines the appropriate valuation techniques for the fair value measurements.

Where Level 1 inputs are not available, the Corporation or engaged appraisers would determine appropriate inputs by referring to market prices or rates and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Corporation updates inputs quarterly to confirm the appropriateness of the fair value measurement.

d. Impairment of property, plant and equipment

The impairment of equipment in relation to production is based on the recoverable amounts of those assets, which is the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to a recognition of additional impairment losses or a reversal of impairment losses.

e. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

f. Control over subsidiaries

Note 11 describes that Kunshan Chimei Materials Technology Corp. (“KSCMMT”) is a subsidiary of the Corporation although the Corporation only holds less than half of the voting power of KSCMMT. After considering the Corporation’s absolute size of holding in KSCMMT and the contractual arrangements between the Corporation and other investors, potential voting interests and other factors, management concluded that the Corporation has a sufficiently dominant voting interest to direct the relevant activities of KSCMMT, and therefore, the Corporation has control over KSCMMT.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 586	\$ 726
Checking accounts and demand deposits	4,182,130	1,861,558
Cash equivalents		
Time deposits with original maturities of less than 3 months	314,580	2,350,236
Repurchase agreements collateralized by bonds	<u>-</u>	<u>129,000</u>
	<u>\$ 4,497,296</u>	<u>\$ 4,341,520</u>

The market rate intervals of cash in the bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2017	2016
Bank deposits	0.001%-1.89%	0.001%-2.01%
Repurchase agreements collateralized by bonds	-	1.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
<u>Financial assets at FVTPL - current</u>		
Financial assets designated as at FVTPL		
Structured deposit (a)	<u>\$ -</u>	<u>\$ 167,266</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (b)	<u>\$ 349</u>	<u>\$ 19,822</u>

- a. The Corporation entered into a three-month structured time deposit contract with the bank in 2016. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract.

- b. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2017</u>			
Sell	USD/JPY	2018.01.09	USD 10,000/JPY 1,125,100
<u>December 31, 2016</u>			
Sell	USD/JPY	2017.01.05-2017.02.09	USD 22,000/JPY 2,502,460

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2017	2016
<u>Current</u>		
Domestic investments		
Mutual funds	\$ _____	\$ <u>12,028</u>

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	2017	2016
Notes receivable	\$ 484,392	\$ -
Notes receivable - related parties	<u>4,565</u>	<u>-</u>
	<u>\$ 488,957</u>	<u>\$ -</u>
Accounts receivable	\$ 3,062,933	\$ 2,981,461
Less: Allowance for impairment loss	<u>-</u>	<u>(1,523)</u>
	<u>\$ 3,062,933</u>	<u>\$ 2,979,938</u>
Other receivables	\$ 178,875	\$ 124,574
Other receivables - related parties	12,422	5
Less: Allowance for impairment loss	<u>(18,215)</u>	<u>(18,215)</u>
	<u>\$ 173,082</u>	<u>\$ 106,364</u>

a. Notes receivables

There are no notes receivable of the Corporation which are past due, and after an assessment of the uncertainty of collectability of receivables, there is no need to make a provision for doubtful debts.

b. Accounts receivable

The average credit period of sales of goods was between 90 and 120 days. In determining the recoverability of an account receivable, the Corporation considered any change in the credit quality of the account receivable since the date credit was initially granted to the end of the reporting period. The Corporation recognized an allowance for impairment loss of 100% against all receivables over 120 days because historical experience was that receivables that are beyond 120 days past due were not recoverable. An allowance for impairment loss was recognized against accounts receivable between 60 and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivable was as follows:

	December 31	
	2017	2016
Not past due	\$ 3,551,890	\$ 2,981,461
Less than 61 days	-	-
61-90 days	-	-
91-120 days	-	-
More than 120 days	-	-
	<u>\$ 3,551,890</u>	<u>\$ 2,981,461</u>

The above aging schedule was based on the past due days from the end of the credit term.

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ -	\$ -	\$ -
Add: Impairment losses recognized on receivables	<u>1,523</u>	<u>-</u>	<u>1,523</u>
Balance at December 31, 2016	1,523	-	1,523
Less: Amounts written off during the year as uncollectible	<u>(1,523)</u>	<u>-</u>	<u>(1,523)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Corporation recognized an impairment loss on accounts receivable amounting to NT\$0 and NT\$1,523 thousand for the years ended December 31, 2017 and 2016, respectively. This amount is mainly related to customers that were experiencing severe financial difficulties. The Corporation did not hold any collateral over these balances.

c. Other receivables

The movements of the allowance for doubtful other receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1 and December 31, 2017 and 2016	<u>\$ 18,215</u>	<u>\$ -</u>	<u>\$ 18,215</u>

10. INVENTORIES

	December 31	
	2017	2016
Commodities	\$ 11,408	\$ -
Finished goods	429,139	576,187
Work in progress	633,761	367,820
Raw materials	<u>1,208,402</u>	<u>1,097,896</u>
	<u>\$ 2,282,710</u>	<u>\$ 2,041,903</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was NT\$12,189,884 thousand and NT\$11,170,927 thousand, respectively.

The cost of goods sold included write-downs of inventories and reversals of write-downs of inventories which were as follows:

	December 31	
	2017	2016
(Reversal of) write-down of inventories	<u>\$ (2,182)</u>	<u>\$ 241,593</u>

The provision for inventory write-downs was reversed when the related inventory items were sold.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31		
			2017	2016	
CMMT	Chimei Materials Technology (SAMOA) Corp. (“CMMTS”)	Investment company	100%	100%	-
	Chi Mei Visual Technology Corporation (“CMVT”)	Electronic component manufacture and sale	68.33%	68.33%	-
	Chi Mei Materials Technology Investment Co., Ltd. (“CMMTI”)	Investment company	100%	100%	-
	Chi Tsai Investment Co., Ltd. (“CTI”)	Investment company	100%	100%	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31		
			2017	2016	
CMMT	Chi Tsai Trading Co., Ltd. ("CTT")	Trade	100%	-	1)
CMMTS	Ki Kin Corporation ("KK")	Trade	-	-	2)
	Ningbo Chi Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacture and sale	100%	100%	-
CMMTI	Kunshan Chimei Materials Technology Corp. ("KSCMMT")	Electronic component manufacture and sale	49%	49%	-
KSCMMT	Kunshan Chimei Materials Trading Corp. ("KSCMS")	Trade	100%	100%	-
CTI	Chi Mei Visual Technology Corporation ("CMVT")	Electronic component manufacture and sale	13%	13%	-

(Concluded)

Remarks:

- 1) CTT was incorporated in January 2017. The Corporation holds a 100% interest in CTT.
- 2) KK, whose original name was Jin Jiang Corporation ("JJ"), was invested in by Zhejiang Hengjie Co., Ltd. (ZH) in the amount of JPY23,000 thousand on June 29, 2016. ZH held a 100% interest in KK. On March 3, 2017, the Corporation injected JPY47,000 thousand into JJ, which raised the Corporation's percentage of ownership over KK to 67.14%. The investment is to reduce the cost of purchasing raw materials. However the economic returns are not as expected. The Corporation sold all of its shares to ZH at JPY47,000 thousand on December 25, 2017. Refer to Note 26 and 27.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2017	2016
Kunshan Chimei Materials Technology Corp. ("KSCMMT")	51%	51%

See Table 7 following the Notes to Consolidated Financial Statements for information on the place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
KSCMMT	\$ (317,360)	\$ 609	\$ 1,900,183	\$ 2,246,382
Others	<u>(6,406)</u>	<u>(550)</u>	<u>35,358</u>	<u>40,916</u>
	<u>\$ (323,766)</u>	<u>\$ 59</u>	<u>\$ 1,935,541</u>	<u>\$ 2,287,298</u>

Summarized financial information in respect of each of the Corporation's subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

KSCMMT:

	December 31	
	2017	2016
Current assets	\$ 3,073,618	\$ 2,202,529
Non-current assets	6,526,196	4,326,159
Current liabilities	(5,873,870)	(2,124,018)
Non-current liabilities	<u>(96)</u>	<u>-</u>
Equity	<u>\$ 3,725,848</u>	<u>\$ 4,404,670</u>
Equity attributable to:		
Owners of CMMT	\$ 1,825,665	\$ 2,158,288
Non-controlling interests of KSCMMT	<u>1,900,183</u>	<u>2,246,382</u>
	<u>\$ 3,725,848</u>	<u>\$ 4,404,670</u>
Revenue	<u>\$ 1,488,126</u>	<u>\$ 51</u>
Net loss for the year	\$ (622,275)	\$ (9,987)
Other comprehensive loss for the year	<u>(56,548)</u>	<u>(350,636)</u>
Total comprehensive loss for the year	<u>\$ (678,823)</u>	<u>\$ (360,623)</u>
Profit (loss) attributable to:		
Owners of CMMT	\$ (304,915)	\$ (10,596)
Non-controlling interests of KSCMMT	<u>(317,360)</u>	<u>609</u>
	<u>\$ (622,275)</u>	<u>\$ (9,987)</u>
Total comprehensive loss attributable to:		
Owners of CMMT	\$ (332,623)	\$ (211,413)
Non-controlling interests of KSCMMT	<u>(346,200)</u>	<u>(149,210)</u>
	<u>\$ (678,823)</u>	<u>\$ (360,623)</u>
Net cash (outflows) inflows from:		
Operating activities	\$ (1,815,146)	\$ (474,288)
Investing activities	(1,740,562)	(3,090,177)
Financing activities	<u>2,624,007</u>	<u>4,146,318</u>
Net cash (outflows) inflows	<u>\$ (931,701)</u>	<u>\$ 581,853</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2016	\$ 1,428,543	\$ 3,624,337	\$ 5,320,360	\$ 61,316	\$ 3,505,780	\$ 249,127	\$ 670,941	\$ 14,860,404
Additions	-	24,229	60,023	6,253	48,008	6,787	3,144,752	3,290,052
Disposals	-	-	(216,427)	(4,197)	(24,252)	(24,063)	-	(268,939)
Effect of foreign currency exchange differences	-	(27,327)	(59,847)	(1,735)	(7,252)	(3,694)	(125,169)	(225,024)
Reclassification	-	1,875	265,138	3,232	33,496	6,946	488,641	799,328
Balance at December 31, 2016	<u>\$ 1,428,543</u>	<u>\$ 3,623,114</u>	<u>\$ 5,369,247</u>	<u>\$ 64,869</u>	<u>\$ 3,555,780</u>	<u>\$ 235,103</u>	<u>\$ 4,179,165</u>	<u>\$ 18,455,821</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Office Equipment	Factory Equipment	Miscellaneous Equipment	Construction in Progress	Total
Accumulated depreciation and impairment								
Balance at January 1, 2016	\$ -	\$ 1,016,412	\$ 3,975,402	\$ 36,412	\$ 2,797,150	\$ 191,039	\$ -	\$ 8,016,415
Disposals	-	-	(216,141)	(3,999)	(24,252)	(20,717)	-	(265,109)
Depreciation expenses	-	147,480	461,954	9,471	190,282	20,485	-	829,672
Effect of foreign currency exchange differences	-	(10,641)	(20,864)	(1,026)	(5,593)	(4,015)	(13,927)	(56,066)
Impairment loss	-	-	-	-	-	-	291,090	291,090
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 1,153,251</u>	<u>\$ 4,200,351</u>	<u>\$ 40,858</u>	<u>\$ 2,957,587</u>	<u>\$ 186,792</u>	<u>\$ 277,163</u>	<u>\$ 8,816,002</u>
Carrying amounts at December 31, 2016	<u>\$ 1,428,543</u>	<u>\$ 2,469,863</u>	<u>\$ 1,168,896</u>	<u>\$ 24,011</u>	<u>\$ 598,193</u>	<u>\$ 48,311</u>	<u>\$ 3,902,002</u>	<u>\$ 9,639,819</u>
Cost								
Balance at January 1, 2017	\$ 1,428,543	\$ 3,623,114	\$ 5,369,247	\$ 64,869	\$ 3,555,780	\$ 235,103	\$ 4,179,165	\$ 18,455,821
Additions	-	872,167	187,994	2,184	199,522	50,101	1,011,815	2,323,783
Disposals	-	-	(915)	(405)	-	(841)	-	(2,161)
Effect of foreign currency exchange differences	-	86,488	8,316	(196)	14,694	673	(33,947)	76,028
Reclassification	-	2,682,008	1,235,033	3,997	868,178	52,487	(4,747,614)	94,089
Balance at December 31, 2017	<u>\$ 1,428,543</u>	<u>\$ 7,263,777</u>	<u>\$ 6,799,675</u>	<u>\$ 70,449</u>	<u>\$ 4,638,174</u>	<u>\$ 337,523</u>	<u>\$ 409,419</u>	<u>\$ 20,947,560</u>
Accumulated depreciation and impairment								
Balance at January 1, 2017	\$ -	\$ 1,153,251	\$ 4,200,351	\$ 40,858	\$ 2,957,587	\$ 186,792	\$ 277,163	\$ 8,816,002
Disposals	-	-	(559)	(404)	-	(841)	-	(1,804)
Depreciation expenses	-	280,546	395,592	9,068	254,918	27,918	-	968,042
Effect of foreign currency exchange differences	-	401	(1,308)	(119)	139	(366)	(3,122)	(4,375)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 1,434,198</u>	<u>\$ 4,594,076</u>	<u>\$ 49,403</u>	<u>\$ 3,212,644</u>	<u>\$ 213,503</u>	<u>\$ 274,041</u>	<u>\$ 9,777,865</u>
Carrying amounts at December 31, 2017	<u>\$ 1,428,543</u>	<u>\$ 5,829,579</u>	<u>\$ 2,205,599</u>	<u>\$ 21,046</u>	<u>\$ 1,425,530</u>	<u>\$ 124,020</u>	<u>\$ 135,378</u>	<u>\$ 11,169,695</u>

(Concluded)

According to the Contract for State - Owned Construction Land Use Right Assignment between NBCMMT and Ningbo Municipal Bureau of National Land and Resource, the Corporation's construction of industrial land should meet the requirements of production, tax revenue, and import and export quotas. However, due to the changing business strategy for the production system in 2016, the Corporation might not meet all of the requirements. The Corporation assessed that the carrying amount of the construction in progress related to buildings and factories would not be recoverable, which led to the recognition of an impairment loss of NT\$291,090 in operating costs in the consolidated statements of comprehensive income for the year ended December 31, 2016.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-25 years
Engineering systems	25 years
Others	15 years
Machinery and equipment	5-10 years
Office equipment	3-5 years
Factory equipment	8-10 years
Miscellaneous equipment	2-10 years

13. GOODWILL

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 8,056	\$ 8,056
Additional amounts recognized from business combinations occurring during the year (Note 26)	873	-
Disposal of subsidiaries (Note 27)	<u>(873)</u>	<u>-</u>
Balance at December 31	<u>\$ 8,056</u>	<u>\$ 8,056</u>

14. OTHER INTANGIBLE ASSETS

	Computer Software	Core Technology	Licenses and Franchises	Total
<u>Cost</u>				
Balance at January 1, 2016	\$ 50,420	\$ 47,000	\$ 9,200	\$ 106,620
Additions	19,281	-	-	19,281
Effect of foreign currency exchange differences	<u>(176)</u>	<u>-</u>	<u>-</u>	<u>(176)</u>
Balance at December 31, 2016	<u>\$ 69,525</u>	<u>\$ 47,000</u>	<u>\$ 9,200</u>	<u>\$ 125,725</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2016	\$ 39,370	\$ 16,842	\$ 2,760	\$ 58,972
Amortization expenses	9,685	4,700	1,840	16,225
Effect of foreign currency exchange differences	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(24)</u>
Balance at December 31, 2016	<u>\$ 49,031</u>	<u>\$ 21,542</u>	<u>\$ 4,600</u>	<u>\$ 75,173</u>
Carrying amounts at December 31, 2016	<u>\$ 20,494</u>	<u>\$ 25,458</u>	<u>\$ 4,600</u>	<u>\$ 50,552</u>
<u>Cost</u>				
Balance at January 1, 2017	\$ 69,525	\$ 47,000	\$ 9,200	\$ 125,725
Additions	29,760	-	-	29,760
Retirement	(27,289)	-	-	(27,289)
Reclassification	41,937	-	-	41,937
Effect of foreign currency exchange differences	<u>(32)</u>	<u>-</u>	<u>-</u>	<u>(32)</u>
Balance at December 31, 2017	<u>\$ 113,901</u>	<u>\$ 47,000</u>	<u>\$ 9,200</u>	<u>\$ 170,101</u>

(Continued)

	Computer Software	Core Technology	Licenses and Franchises	Total
<u>Accumulated amortization</u>				
Balance at January 1, 2017	\$ 49,031	\$ 21,542	\$ 4,600	\$ 75,173
Amortization expenses	27,986	4,700	1,840	34,526
Retirement	(27,289)	-	-	(27,289)
Effect of foreign currency exchange differences	<u>115</u>	<u>-</u>	<u>-</u>	<u>115</u>
Balance at December 31, 2017	<u>\$ 49,843</u>	<u>\$ 26,242</u>	<u>\$ 6,440</u>	<u>\$ 82,525</u>
Carrying amounts at December 31, 2017	<u>\$ 64,058</u>	<u>\$ 20,758</u>	<u>\$ 2,760</u>	<u>\$ 87,576</u> (Concluded)

Other intangible assets were depreciated on a straight-line basis over the estimated useful lives as follows:

Computer Software	1-3 years
Core Technology	10 years
Licenses and Franchises	5 years

15. OTHER ASSETS

	<u>December 31</u>	
	2017	2016
<u>Current</u>		
Offset against business tax payables	\$ 540,741	\$ 313,139
Prepayments	269,272	282,733
Pledged time deposits (a) (Note 31)	265,739	134,032
Temporary payments	102,720	56,205
Other financial assets (b)	7,800	4,800
Prepayments for leases	5,765	5,929
Payments on behalf of others	<u>36</u>	<u>30,740</u>
	<u>\$ 1,192,073</u>	<u>\$ 827,578</u>
<u>Non-current</u>		
Prepayments for purchase of equipment	\$ 165,706	\$ 153,602
Prepayments for leases	257,297	265,837
Refundable deposits	14,202	4,457
Others	<u>2,506</u>	<u>3,872</u>
	<u>\$ 439,711</u>	<u>\$ 427,768</u>

- The market rate intervals of pledged time deposits were 1.10%-1.76% and 1.21%-1.65% as of December 31, 2017 and 2016, respectively.
- The market rate intervals of time deposits (investments with original maturities of more than three months) were 1.04% and 0.91%-1.04% as of December 31, 2017 and 2016, respectively.

16. LOANS

a. Short-term bank loans

	December 31	
	2017	2016
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 3,813,259</u>	<u>\$ 3,451,626</u>

The range of weighted average effective interest rates on bank loans was 0.68%-5.25% and 0.56%-1.98% per annum as of December 31, 2017 and 2016, respectively.

b. Short-term bills payable

	December 31	
	2017	2016
Commercial paper	<u>\$ 100,000</u>	<u>\$ -</u>

The interest rate on commercial paper was 0.88% per annum as of December 31, 2017.

c. Long-term bank loans

	December 31	
	2017	2016
<u>Unsecured loans</u>		
Syndicated loans: Lead bank - Bank of Taiwan		
Repayable quarterly on interest from September 23, 2016;		
repayable from March 23, 2019 to September 23, 2021;		
annual floating interest rate at 3.81% and 3.10%-3.45% in		
2017 and 2016, respectively	\$ 2,639,833	\$ 1,345,181
Less: Reclassified as current portion due to breaching certain		
terms of long-term loan agreement	<u>2,639,833</u>	<u>1,345,181</u>
Long-term bank loans	<u>\$ -</u>	<u>\$ -</u>

The above long-term bank loans agreement requires the maintenance of certain financial ratios based on CMMT's consolidated annual financial statements. The related restrictions are as follows:

- 1) Current ratio: At least 100%;
- 2) Debt ratio: No more than 100%;
- 3) Interest coverage ratio: At least 3; and
- 4) Tangible net worth: At least NT\$10,000,000 thousand.

During 2017 and 2016, the Corporation breached certain terms of its long-term loan agreement, which are primarily related to the interest coverage ratio of the Corporation. As of December 31, 2017 and 2016, the carrying amount of the bank loan was NT\$2,639,833 thousand and NT\$1,345,181 thousand, respectively. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker. Since the lender has not agreed to waive its right to demand immediate payment at the end of the reporting period, the loan was classified as a current liability at December 31, 2016. Up to the date of approval of issuance of the consolidated financial statements, the negotiations were still in progress. Management is confident that its negotiations with the lender will ultimately succeed. Should the lender call for immediate repayment of the loan, management believes that adequate alternative sources of financing are available to ensure that there is no threat to the continuing operations of the Corporation.

17. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31	
	2017	2016
<u>Notes payable</u>		
Operating	\$ 132,463	\$ -
<u>Accounts payable</u>		
Operating	\$ 1,974,351	\$ 1,864,954

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER LIABILITIES

	December 31	
	2017	2016
<u>Current</u>		
Other payables		
Payables for purchases of equipment	\$ 933,040	\$ 157,927
Payables for salaries or bonuses	261,173	235,698
Payables for annual leave	38,395	30,951
Payables for insurance premiums	16,642	17,898
Accrued taxes payable	16,505	6,951
Payables for interests	13,297	5,031
Payables for purchases of land or buildings	3,831	145,750
Payables for professional service fees	3,389	2,382
Others	194,475	202,103
	<u>\$ 1,480,747</u>	<u>\$ 804,691</u>
Other liabilities		
Advance receipts	\$ 9,479	\$ 6,644
Others	15,525	25,415
	<u>\$ 25,004</u>	<u>\$ 32,059</u>

19. PROVISIONS

	December 31	
	2017	2016
<u>Current</u>		
Customer returns and rebates	<u>\$ 9,564</u>	<u>\$ 1,647</u>
		Customer Returns and Rebates
Balance at January 1, 2017		\$ 1,647
Additional provisions recognized		9,564
Usage		<u>(1,647)</u>
Balance at December 31, 2017		<u>\$ 9,564</u>

The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons why estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

20. RETIREMENT BENEFIT PLANS

CMMT and CMVT of the Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. NBCMMT, KSCMMT and KSCMS make monthly contributions at certain percentages of the basic salary of their employees.

The Corporation recognized expenses of NT\$43,779 thousand and NT\$41,592 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016, respectively.

21. EQUITY

a. Share capital

	December 31	
	2017	2016
Numbers of shares authorized (in thousands)	<u>700,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 7,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>665,729</u>	<u>515,729</u>
Shares issued	<u>\$ 6,657,285</u>	<u>\$ 5,157,285</u>

In the extraordinary general meeting of shareholders on February 8, 2017, the shareholders proposed that authorized shares be changed to NT\$7,000,000 thousand.

Fully paid common shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

On December 20, 2016, CMMT's board of directors approved to increase its capital by an issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDR), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD64.9 million. As of December 31, 2017, the outstanding 1,691.5 thousand units of GDRs represented 67,660 thousand common shares.

The agreement clause of the GDR purchase stipulates the following:

1) Voting rights

Unless stipulated otherwise by applicable laws and regulations, the Bank of New York Mellon (the "Depositary") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Regulation S Deposit Agreement (the "Deposit Agreement") entered into by CMMT, the Depositary, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

2) Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depositary to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to relevant laws and regulation of the ROC and the Deposit Agreement.

3) Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on other distributions as the holders of common shares of CMMT. If CMMT distributes share dividends or makes other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDRs proportionately, increase the number of the common shares to be represented by each GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Share premium	\$ 803,494	\$ 400,487
Purchase price and carrying amount differences arising from acquisition or disposal of subsidiaries	3,062	3,062
<u>May only be used to offset a deficit (2)</u>		
Changes in equity of subsidiaries	<u>50,212</u>	<u>50,212</u>
	<u>\$ 856,768</u>	<u>\$ 453,761</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of a change in an ownership interest in a subsidiary resulting from equity transactions other than an actual disposal or acquisition.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 20, 2016 and, in that meeting, resolved amendments to the CMMT's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses, and then 10% shall be set aside as a legal reserve. When such legal reserve amounts to the total paid-in capital, CMMT shall not be subject to this requirement. CMMT may then appropriate or reverse a certain amount as a special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the board of directors and approved in the shareholders' meeting.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 22g, "Employee's compensation and remuneration of directors and supervisors".

CMMT's Articles also stipulate a dividend policy whereby, after taking into account CMMT's current and future development plan, investment environment, fund requirements, domestic and international competition, and the interests of shareholders, CMMT is to set aside no less than 20% of the distributable earnings as shareholders' dividends and bonuses. However, in the case where accumulated distributable earnings is less than 50% of paid-in capital, CMMT may choose not to distribute dividends. Dividends to common shareholders may be distributed by way of a combination of cash dividends and share dividends provided that the cash dividends shall not be less than 10% of the total dividends.

An appropriation of earnings to legal reserve shall be made until the legal reserve equals CMMT's paid-in capital. The legal reserve may be used to offset deficits. If CMMT has no deficit and the legal reserve has exceeded 25% of CMMT's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by CMMT.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by CMMT.

The appropriations of earnings for 2016 and 2015, which were approved in the shareholders' meetings on June 21, 2017 and June 20, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Legal reserve	\$ -	\$ 104,879		
Special reserve	166,124	-		
Cash dividends	-	257,864	\$ -	\$ 0.5

d. Special reserve

	For the Year Ended December 31	
	2017	2016
Beginning at January 1	\$ 36,849	\$ 36,849
Appropriations in respect of debits to other equity items	<u>166,124</u>	<u>-</u>
Balance at December 31	<u>\$ 202,973</u>	<u>\$ 36,849</u>

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ (202,996)	\$ 96,357
Exchange differences on translating foreign operations	(43,609)	(299,353)
Gain reclassified to profit or loss on disposal of foreign operations	<u>381</u>	<u>-</u>
Balance at December 31	<u>\$ (246,224)</u>	<u>\$ (202,996)</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 23	\$ 11,137
Unrealized gain arising on revaluation of available-for-sale financial assets	22	13,647
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	<u>(45)</u>	<u>(24,761)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 23</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 2,287,298	\$ 221,941
Attributable to non-controlling interests:		
Share of (loss) profit for the year	(323,766)	59
Exchange difference arising on translation of foreign entities	(29,023)	(115,972)
Unrealized loss on available-for-sale financial assets	(5)	(31)
Non-controlling interests arising from acquisition of KK (see Note 26)	5,876	-
Non-controlling interest reduction arising from disposal of KK (see Note 27)	(4,839)	-
Disposal of non-controlling interests in subsidiaries	-	6,000
Purchase price and carrying amount differences arising from acquisition of subsidiaries	-	(3,062)
Changes in equity of subsidiaries	<u>-</u>	<u>2,178,363</u>
Balance at December 31	<u>\$ 1,935,541</u>	<u>\$ 2,287,298</u>

22. NET PROFIT (LOSS)

a. Other operating income and expenses

	For the Year Ended December 31	
	2017	2016
Net loss from disaster (Note 34)	<u>\$ -</u>	<u>\$ (33,870)</u>

b. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	\$ 21,474	\$ 42,773
Government grants (Note 25)	5,758	10,766
Rental income	810	700
Others	<u>19,848</u>	<u>36,775</u>
	<u>\$ 47,890</u>	<u>\$ 91,014</u>

c. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net gain (loss) arising on financial assets and liabilities held for trading	\$ 32,342	\$ (102,166)
Net gain arising on financial assets designated as at FVTPL	19,136	6,598
Net foreign exchange gains	14,449	60,474
Gain on disposal of subsidiaries	1,303	-
Net gain on disposal of available-for-sale financial assets	45	24,761
Gain on disposal of property, plant and equipment	36	121
Others	<u>(168)</u>	<u>(3,396)</u>
	<u>\$ 67,143</u>	<u>\$ (13,608)</u>

d. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest on bank loans	\$ (124,319)	\$ (13,833)
Other finance costs	<u>(2,508)</u>	<u>(806)</u>
	<u>\$ (126,827)</u>	<u>\$ (14,639)</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized interest	\$ 21,896	\$ 2,984
Capitalization rate	3.2%	0.85%

e. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	\$ 968,042	\$ 829,672
Intangible assets	34,526	16,225
Prepayments for leases	<u>5,551</u>	<u>6,219</u>
	<u>\$ 1,008,119</u>	<u>\$ 852,116</u>
An analysis of deprecation by function		
Operating costs	\$ 883,219	\$ 774,865
Operating expenses	<u>84,823</u>	<u>54,807</u>
	<u>\$ 968,042</u>	<u>\$ 829,672</u>
An analysis of amortization by function		
Operating costs	\$ 8,958	\$ 2,908
General and administrative expenses	24,526	12,943
Research and development expenses	<u>6,593</u>	<u>6,593</u>
	<u>\$ 40,077</u>	<u>\$ 22,444</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits		
Defined contribution plans (Note 20)	\$ 43,779	\$ 41,592
Other employee benefits	<u>1,637,179</u>	<u>1,483,970</u>
Total employee benefits expense	<u>\$ 1,680,958</u>	<u>\$ 1,525,562</u>
An analysis of employee benefits expenses by function		
Operating costs	\$ 1,364,171	\$ 1,292,628
Operating expenses	<u>316,787</u>	<u>232,934</u>
	<u>\$ 1,680,958</u>	<u>\$ 1,525,562</u>

g. Employee's compensation and remuneration of directors and supervisors

CMMT accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. CMMT incurred a deficit for the years ended December 31, 2017 and 2016; thus, neither employees' compensation nor remuneration of directors and supervisors was estimated.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2015.

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the CMMT's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains	\$ 482,362	\$ 908,901
Foreign exchange losses	<u>(467,913)</u>	<u>(848,427)</u>
	<u>\$ 14,449</u>	<u>\$ 60,474</u>

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax benefits recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
<u>Current tax</u>		
In respect of the current year	\$ 4,560	\$ 439
Income tax on unappropriated earnings	-	-
Adjustments for prior years	<u>(985)</u>	<u>(1,142)</u>
	3,575	(703)
<u>Deferred tax</u>		
In respect of the current year	<u>(136,466)</u>	<u>(58,906)</u>
Income tax benefits recognized in profit or loss	<u>\$ (132,891)</u>	<u>\$ (59,609)</u>

A reconciliation of accounting loss and income tax benefits recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2017	2016
Loss before tax from continuing operations	<u>\$ (1,682,917)</u>	<u>\$ (1,543,471)</u>
Income tax benefits calculated at the statutory rate	\$ (426,117)	\$ (416,693)
Nondeductible expenses in determining taxable income	872	471
Unrecognized deductible temporary differences	9,781	38,044
Unrecognized loss carryforwards	283,558	319,711
Adjustments for prior years' tax	(985)	(1,142)
Others	<u>-</u>	<u>-</u>
Income tax benefits recognized in profit or loss	<u>\$ (132,891)</u>	<u>\$ (59,609)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by group entities in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by NT\$9,478 thousand in 2018.

b. Current tax assets and liabilities

	For the Year Ended December 31	
	2017	2016
Current tax liabilities		
Income tax payable	<u>\$ 435</u>	<u>\$ 436</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

	Balance, Beginning of Year	Movements	Balance, End of Year
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized loss on inventories	\$ 70,800	\$ (2,069)	\$ 68,731
FVTPL financial assets	3,370	(3,311)	59
Deferred revenue	952	3,208	4,160
Unrealized foreign exchange gains	(51,687)	51,795	108
Provisions	575	1,499	2,074
Others	<u>(13,557)</u>	<u>1,874</u>	<u>(11,683)</u>
	<u>10,453</u>	<u>52,996</u>	<u>63,449</u>

Deferred tax liabilities

Temporary differences			
Share of profit of associates accounted for using equity method	93,033	(86,265)	6,768
Others	<u>179</u>	<u>-</u>	<u>179</u>
	<u>93,212</u>	<u>(86,265)</u>	<u>6,947</u>
	<u>\$ (82,759)</u>	<u>\$ 139,261</u>	<u>\$ (56,502)</u>

For the year ended December 31, 2016

	Balance, Beginning of Year	Movements	Balance, End of Year
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized loss on inventories	\$ 59,026	\$ 11,774	\$ 70,800
FVTPL financial assets	(1,076)	4,446	3,370
Deferred revenue	15,306	(14,354)	952
Unrealized foreign exchange gains	(3,990)	(47,697)	(51,687)
Provisions	1,673	(1,098)	575
Others	<u>(15,629)</u>	<u>2,072</u>	<u>(13,557)</u>
	<u>55,310</u>	<u>(44,857)</u>	<u>10,453</u>

Deferred tax liabilities

Temporary differences			
Share of profit of associates accounted for using equity method	196,683	(103,650)	93,033
Others	<u>292</u>	<u>(113)</u>	<u>179</u>
	<u>196,975</u>	<u>(103,763)</u>	<u>93,212</u>
	<u>\$ (141,665)</u>	<u>\$ 58,906</u>	<u>\$ (82,759)</u>

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2019	\$ 207	\$ 207
Expire in 2020	7,453	7,453
Expire in 2021	245,641	38,616
Expire in 2022	52,328	52,328
Expire in 2023	35,846	35,846
Expire in 2024	16,480	16,480
Expire in 2025	4,767	4,767
Expire in 2026	1,166,927	1,128,895
Expire in 2027	<u>559,251</u>	<u>-</u>
	<u>\$ 2,088,900</u>	<u>\$ 1,284,592</u>
Deductible temporary differences	<u>\$ 1,073,470</u>	<u>\$ 1,040,146</u>

- e. Information about unused loss carryforwards and tax exemptions

As of December 31, 2017, profit attributable to the following expansion project was exempted from income tax due to the Corporation funding the production of polarizing film used for flat panel displays:

Expansion of Construction Project	Tax-exemption Period
First time income tax exemption for construction project expansion	May 31, 2012 to May 30, 2017

- f. Integrated income tax

	For the Year Ended December 31	
	2017	2016
Unappropriated earnings		
Generated on or after January 1, 1998	(Note)	<u>\$ 4,182,188</u>
Shareholder-imputed credits account	(Note)	<u>\$ 568,411</u>

	For the Year Ended December 31	
	2017	2016
Creditable ratio for distribution of earnings	(Note)	13.59%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

- g. Income tax assessments

CMMT and CMVT's income tax returns through 2015 have been assessed by the tax authorities.

24. LOSS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2017	2016
Basic loss per share	\$ (2.18)	\$ (2.88)
Diluted loss per share	\$ (2.18)	\$ (2.88)

The loss and weighted average number of common shares outstanding in the computation of loss per share were as follows:

Net Loss for the Year

	For the Year Ended December 31	
	2017	2016
Loss used in the computation of basic and diluted loss per share	\$ (1,226,260)	\$ (1,483,921)

Weighted average number of common shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2017	2016
Weighted average number of common shares in the computation of basic and diluted loss per share	<u>561,345</u>	<u>515,729</u>

25. GOVERNMENT GRANTS

In August 2016, the Corporation applied for a government grant of NT\$16,524 thousand towards its project related to an industrial upgrading innovation platform from the Institute for Information Industry. The period of the grant is from January 1, 2016 to June 30, 2017. The Corporation complied with the conditions attached to such government grant, and therefore, NT\$5,758 thousand was recognized as other income as of and for the year ended December 31, 2017.

26. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
KK	Trade	March 3, 2017	67.14	\$ <u>12,878</u>

KK was acquired in order to reduce the cost of purchasing materials.

b. Considerations transferred

KK

Cash	\$ <u>12,878</u>
------	------------------

c. Assets acquired and liabilities assumed at the date of acquisition

KK

Current assets	
Cash	\$ 18,221
Other receivables and other current assets	207
Non-current assets	
Other assets	137
Current liabilities	
Other payables and other liabilities	<u>(684)</u>
	<u>\$ 17,881</u>

d. Goodwill recognized on acquisition

KK

Consideration transferred	\$ 12,878
Plus: Non-controlling interests (32.86% in KK)	5,876
Less: Fair value of identifiable net assets acquired	<u>(17,881)</u>
Goodwill recognized on acquisition	<u>\$ 873</u>

The goodwill recognized in the acquisition of KK mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of KK. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquisition goodwill was not deductible for tax purposes.

e. Net cash inflow on acquisition of subsidiaries

KK

Consideration paid in cash	\$ 12,878
Less: Cash balances acquired	<u>(18,221)</u>
	<u>\$ (5,343)</u>

f. Impact of acquisition on the results of the Corporation

The results of the acquiree since the acquisition date included in the consolidated statements of comprehensive income were as follows:

KK

Revenue	<u>\$ -</u>
Loss	<u>\$ (1,096)</u>

Had these business combinations been in effect for the entire annual reporting period, rather than just from March 3 to December 25, 2017, the Corporation's revenue from continuing operations would have been NT\$11,440,772 thousand and the loss from continuing operations would have been NT\$1,550,026 thousand. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Corporation that actually would have been achieved had the acquisition been completed on January 1, 2017 and sustained until December 31, 2017 nor is it intended to be a projection of future results.

27. DISPOSALS OF SUBSIDIARIES - WITH LOSS OF CONTROL

On December 21, 2017, the Corporation entered into a sale agreement with its affiliate, Zhejiang Hengjie Co., Ltd., to dispose of KK. The disposal was completed on December 25, 2017, on which date control of KK passed to the acquirer.

a. Consideration received from disposal

KK

Sales proceeds receivable (JPY47,000 thousand, included in other receivables - related parties)	<u>\$ 12,436</u>
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b. Analysis of assets and liabilities on the date control was lost

KK

Current assets	
Cash and cash equivalents	\$ 13,861
Accounts receivable	517
Other receivables	248
Non-current assets	
Goodwill	873
Refundable deposits	215
Other non-current assets	126
Current liabilities	
Advance receipts and other current liabilities	<u>(249)</u>
Net assets disposed of	<u>\$ 15,591</u>

c. Gain on disposal of subsidiaries

KK

Consideration received	\$ 12,436
Net assets disposed of	(15,591)
Non-controlling interests	4,839
Reclassification of other comprehensive income in respect of KK	<u>(381)</u>
Gain on disposal	<u>\$ 1,303</u>

d. Net cash inflow on disposal of subsidiaries

	KK
Proceeds of disposal	\$ 12,436
Remaining proceeds receivable	<u>(12,436)</u>
Consideration received in cash and cash equivalents	-
Less: Cash and cash equivalent balances disposed of	<u>(13,861)</u>
	<u>\$ (13,861)</u>

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Corporation subscribed for additional new shares of KSCMMT at a percentage different from its existing ownership percentage, reducing its continuing interest from 92.6% to 49% on May 12, 2016.

In December, 2016, the Corporation disposed of 2% of its interest in CMVT, reducing its continuing interest from 83.33% to 81.33%.

The above transactions were accounted for as equity transactions, since the Corporation did not cease to have control over these subsidiaries.

KSCMMT:

	May 12, 2016
Cash consideration received	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>50,212</u>
Differences recognized from equity transactions	<u>\$ 50,212</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - changes in equity of subsidiaries	<u>\$ 50,212</u>

CMVT:

	December 28, 2016
Cash consideration received	\$ 6,000
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(2,938)</u>
Differences recognized from equity transactions	<u>\$ 3,062</u>
<u>Line items adjusted for equity transactions</u>	
Capital surplus - purchase price and carrying amount differences arising from acquisitions or disposals of subsidiaries	<u>\$ 3,062</u>

29. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Corporation's overall strategy remains unchanged.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests) and equity attributable to the owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 349	\$ -	\$ 349

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 12,028	\$ -	\$ -	\$ 12,028
Financial assets at FVTPL				
Structured deposits	\$ -	\$ -	\$ 167,266	\$ 167,266
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 19,822	\$ -	\$ 19,822

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2016

	Financial Assets at Fair Value Through Profit or Loss Structured Deposits
<u>Financial assets</u>	
Balance at January 1, 2016	\$ -
Recognized in profit or loss (included in other gains and losses)	
Realized	5,544
Unrealized	1,054
Effect of foreign currency exchange differences	(88)
Purchases	1,846,800
Sales	<u>(1,686,044)</u>
Balance at December 31, 2016	<u>\$ 167,266</u>

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.
Foreign mutual funds	Fair values are estimated based on yield to maturity of government bonds and municipal bonds in China.

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of structured deposits are determined using the discounted cash flow method where the significant unobservable inputs are discount rates. A decrease in the discount rates used in isolation would result in an increase in the fair value. As of December 31, 2016, the discount rate used was 1.40%.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Designated as at FVTPL	\$ -	\$ 167,266
Loans and receivables (1)	8,049,186	7,321,458
Available-for-sale financial assets	-	12,028
		(Continued)

	December 31	
	2017	2016
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 349	\$ 19,822
Amortized cost (2)	9,610,074	6,970,469
		(Concluded)

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents and accounts receivable (including related parties).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, notes payable, accounts payable and other payables.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity, accounts receivable, accounts payable, and loans. The Corporation's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risk. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Corporation's activities exposed it primarily to the financial risk of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on dollar-denominated assets generated by sales and yen-denominated liabilities generated by the import of raw materials from Japan.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 100% of the Corporation's sales were denominated in currencies other than the functional currency, whilst almost 84% of costs were denominated in the Corporation's functional currency. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Corporation was mainly exposed to the U.S. dollar and JPY.

The following table details the Corporation's sensitivity to a 0.5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign currency exchange rates is 0.5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts, and adjusts their translation at the end of the reporting period for a 0.5% change in foreign currency rates. A positive number below indicates a decrease in the pre-tax profit associated with the New Taiwan dollar strengthening 0.5% against the relevant currency. For a 0.5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on the pre-tax profit, and the balances below would be negative.

	U.S. Dollar Impact		JPY Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2017	2016	2017	2016
Profit or loss	\$ 2,057	\$ 8,631(i)	\$ (6,386)	\$(9,375)(ii)

i. This was mainly attributable to the exposure outstanding on U.S. dollar receivables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on JPY payables, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Corporation was exposed to interest rate risk because entities in the Corporation borrowed funds at fixed interest rates. Hedging activities are evaluated regularly to align with interest rate views and a defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	2016
Fair value interest rate risk		
Financial assets	\$ 588,119	\$ 2,797,362
Financial liabilities	3,063,189	3,320,411
Cash flow interest rate risk		
Financial assets	4,164,439	1,661,171
Financial liabilities	3,490,252	1,496,218

Sensitivity analysis

The sensitivity analysis below were determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming that the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2017 and 2016 would decrease/increase by NT\$1,685 thousand and NT\$412 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to a failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The information that was evaluated by the Corporation about the credit ratings of the counterparties is supplied by independent rating agencies where available and, if not available, the Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Corporation annually.

Ongoing credit evaluation is performed on the financial condition of the accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Corporation's concentration of credit risk of 69% and 84% in total accounts receivable as of December 31, 2017 and 2016, respectively, was related to the Corporation's five largest customers.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. However, the Corporation breached certain terms of its long-term loan agreement during 2016. On discovery of the breach, management informed the lender and commenced renegotiation of the terms of the loan with the relevant banker. As of March 19, 2018, those negotiations had not concluded. Refer to Note 16 for details.

The Corporation relies on bank loans as a significant source of liquidity. As of December 31, 2017 and 2016, the Corporation had available unutilized short-term bank loan facilities set out in (c) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 3,023,816	\$ 10,344	\$ 9,525
Variable interest rate liabilities	804,978	2,785,274	-
Fixed interest rate liabilities	<u>2,554,080</u>	<u>408,760</u>	<u>-</u>
	<u>\$ 6,382,874</u>	<u>\$ 3,204,378</u>	<u>\$ 9,535</u>

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 2,161,889	\$ 3,764	\$ 2,978
Variable interest rate liabilities	151,037	1,345,181	-
Fixed interest rate liabilities	<u>3,298,360</u>	<u>2,229</u>	<u>-</u>
	<u>\$ 5,611,286</u>	<u>\$ 1,351,174</u>	<u>\$ 2,978</u>

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following tables detail the Corporation's liquidity analysis for its derivative financial instruments. The tables were based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2017

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 297,251	\$ -	\$ -	\$ -	\$ -
Outflows	297,600	-	-	-	-

December 31, 2016

	On Demand or Less than 6 Months	6 Months to 1 Year	1-3 Years	4-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 689,678	\$ -	\$ -	\$ -	\$ -
Outflows	709,500	-	-	-	-

c) Financing facilities

	<u>December 31</u>	
	2017	2016
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	\$ 8,376,982	\$ 6,131,674
Amount unused	<u>18,116,771</u>	<u>18,636,794</u>
	<u>\$ 26,493,753</u>	<u>\$ 24,768,468</u>

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between CMMT and its subsidiaries, which are the related parties of CMMT, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship to the Corporation
Chi Mei Corporation	Investors with significant influence over the Corporation (Note 1)
Tree Valley Foundation	Affiliates
Zhejiang Hengjie Co., Ltd. ("ZH")	Affiliates
Zhejiang Piao Chen environmental Co., Ltd.	Affiliates
K Laser Technology Inc.	Affiliates
Ki Kin Corporation ("KK")	Affiliates (Note 2)

Note 1: The chairman of Chi Mei Corporation, who was a corporate director of the Corporation, resigned on November 9, 2017. Since then Chi Mei Corporation no longer has had a significant influence over the Corporation.

Note 2: KK was acquired on March 3, 2017 and was disposed of on December 25, 2017. For the details of the acquisition and disposal of KK, refer to Notes 26 and 27.

b. Sale of goods

Related Party Category	For the Year Ended December 31	
	2017	2016
Affiliates	<u>\$ 235,992</u>	<u>\$ -</u>

Prices and terms were determined in accordance with mutual agreements between the Corporation and other related parties.

c. Receivables

Line Item	Related Party Category	For the Year Ended December 31	
		2017	2016
Notes receivable	Affiliates	<u>\$ 4,565</u>	<u>\$ -</u>
Other receivables	Affiliates	<u>\$ 12,422</u>	<u>\$ 5</u>

d. Other payables

Related Party Category	For the Year Ended December 31	
	2017	2016
Investors with significant influence over the Corporation	\$ 350	\$ -
Affiliates	<u>794</u>	<u>-</u>
	<u>\$ 1,144</u>	<u>\$ -</u>

e. Disposals of subsidiaries - KK

Related Party Category/Name	Proceeds		Gain (Loss) on Disposals	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2017	2016	2017	2016
ZH	\$ 12,436	\$ -	\$ 1,303	\$ -

The disposal of the subsidiary was determined in accordance with mutual agreements between the Corporation and the related party.

f. Operating expenses

Related Party Category	For the Year Ended December 31	
	2017	2016
Investors with that have significant influence over the Corporation	\$ 1,367	\$ 1,974
Affiliates	<u>1,939</u>	<u>824</u>
	<u>\$ 3,306</u>	<u>\$ 2,798</u>

g. Rental income

Related Party Category	For the Year Ended December 31	
	2017	2016
Affiliates	<u>\$ 54</u>	<u>\$ 54</u>

The rental terms of the contracts between the Corporation and other related parties are comparable to market transactions.

h. Other income

Related Party Category	For the Year Ended December 31	
	2017	2016
Affiliates	<u>\$ 1,497</u>	<u>\$ -</u>

i. Compensation of key management personnel

Related Party Category	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 17,817	\$ 27,753
Post-employment benefits	<u>352</u>	<u>584</u>
	<u>\$ 18,169</u>	<u>\$ 28,337</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for the tariffs of imported raw materials guarantees:

	For the Year Ended December 31	
	2017	2016
Restricted assets pledged deposits	<u>\$ 265,739</u>	<u>\$ 134,032</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2017 and 2016 were as follows:

- a. As of December 31, 2017 and 2016, unused letters of credit for purchases of raw materials were as follows:

	For the Year Ended December 31	
	2017	2016
JPY	\$ 4,460,264	\$ 3,519,324
EUR	402	1,860
USD	3,587	584

- b. As of December 31, 2017 and 2016, the amounts of guarantees provided by financial institutions for the purpose of importing goods were NT\$11,424 thousand and NT\$51,284 thousand, respectively.
- c. As of December 31, 2017 and 2016, the unpaid amounts of the construction contracts that the Corporation entered into for the expansion of factories and machinery equipment were NT\$910,917 thousand and NT\$1,196,174 thousand, respectively.

34. SIGNIFICANT LOSSES FROM DISASTERS

Due to the earthquake on February 6, 2016, the Corporation recognized related earthquake losses of NT\$33,870 thousand (including repair expenses of factories and impairment of inventories), net of insurance claims for the year ended December 31, 2016.

35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Corporation's board of directors approved the agreement of polarizer technology licensing between KSCMMT and Nitto Denko Corporation ("Nitto Denko") on November 2, 2017. The collaboration with Nitto Denko will accelerate business development in the mainland China polarizer market. The technology licensing agreement with Nitto Denko is for up to JPY15 billion and was signed by KSCMMT, Hangzhou Jinjiang Group, which is the strategic partner and major shareholder of KSCMMT, and Shenzhen Sheng Bo Optoelectronics Technology Co., Ltd., which is an investee of Hangzhou Jinjiang Group. KSCMMT will have the rights to three 2,500mm production lines, of which the total value will be JPY7.5 billion.

To build the first production line, on January 5, 2018, KSCMMT received equipment, which is worth JPY8.5 billion, from Tsubakimoto Kogyo Co., Ltd. On March 15, 2018, KSCMMT's board of directors resolved a machine equipment purchase for JPY29 billion through KK.

The motion of capital increase of USD146 million was approved by KSCMMT's board of directors on November 9, 2017. Hangzhou Jinjiang Group proposed to transfer all of its shareholding (46%) to Xian HengChun Investment Management Partnership Enterprise ("XIAN Fund") before the capital increase. Hangzhou Jinjiang Group and Zhejiang RenYuan Imp. & Exp. Co., Ltd. will not join the capital increase. And, USD146 million will be invested by Chi Mei Materials Technology Corp. (50%) and XIAN Fund (50%). After the issuance of the capital increase, the shareholding ratio will be such that Chi Mei Materials Technology Corp. owns 49%, XIAN Fund owns 48%, and RenYuan Imp. & Exp. Co., Ltd. owns 3%. The purpose of the capital increase is to raise funds for the second production line. The government has not approved the capital increase proposal yet.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 145,700	29.76	\$ 4,336,032
JPY	4,061,391	0.2642	1,073,020
RMB	738	4.565	3,369

Financial liabilities

Monetary items			
USD	121,873	29.76	3,626,940
JPY	10,020,477	0.2642	2,647,410
EUR	193	35.57	6,865
RMB	187	4.565	854
Non-monetary items			
USD	10	29.76	349

December 31, 2016

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 140,701	32.25	\$ 4,537,607
JPY	3,651,992	0.2756	1,006,489
RMB	7,545	4.617	34,835
			(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 65,172	32.25	\$ 2,101,797
JPY	12,958,010	0.2756	3,571,228
RMB	593	4.617	2,738
Non-monetary items			
USD	615	32.25	19,822
			(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains were NT\$14,449 thousand and NT\$60,474 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): None
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 3
- 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- 9) Trading in derivative instruments: Note 30
- 10) Intercompany relationships and significant intercompany transactions: Table 6
- 11) Information on investees: Table 7

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 9
 - a) The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the period.
 - b) The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the period.

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

a. Segment revenues and results

The following was an analysis of the Corporation's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Profit or Loss	
	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31
	2017	2016	2017	2016
Taiwan operating entities	\$ 3,006,234	\$ 5,518,355	\$ (666,452)	\$ (934,299)
China operating entities	8,434,004	4,855,817	(1,001,940)	(671,939)
Others	534	-	(2,730)	-
Total from continuing operations	<u>\$ 11,440,772</u>	<u>\$ 10,374,172</u>	(1,671,122)	(1,606,238)
Net foreign exchange gain			14,449	60,474
Interest income			21,474	42,773
Gain on disposal of property, plant and equipment			36	121
Gain on disposal of available-for-sale financial instruments			45	24,761
Gain on disposal of subsidiaries			1,303	-
Net gain arising on financial assets designated as at FVTPL			19,136	6,598
Net gain (loss) arising on financial assets and liabilities held for trading			32,342	(102,166)
Finance costs			(124,319)	(13,833)
Others			<u>23,740</u>	<u>44,039</u>
Loss before income tax			<u>\$ (1,682,917)</u>	<u>\$ (1,543,471)</u>

Segment profit represented profit before tax earned by each segment without the allocation of central administration costs and directors' salaries, interest income, gains or losses on disposals of property, plant and equipment, gains or losses on disposals of available-for-sale financial instruments, gain on disposal of subsidiaries, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and the assessment of segment performance.

b. Segment assets

The Corporation does not regularly provide information on assets to the Corporation's chief operating decision maker.

c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2017	2016
Polarizing films	\$ 9,779,560	\$ 10,222,239
Others	<u>1,661,212</u>	<u>151,933</u>
	<u>\$ 11,440,772</u>	<u>\$ 10,374,172</u>

d. Geographical information

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	\$ 3,313,760	\$ 3,875,536	\$ 4,807,561	\$ 5,155,454
China	<u>8,127,012</u>	<u>6,498,636</u>	<u>6,953,979</u>	<u>4,970,741</u>
	<u>\$ 11,440,772</u>	<u>\$ 10,374,172</u>	<u>\$ 11,761,540</u>	<u>\$ 10,126,195</u>

e. Information about major customers

Single customers who contributed 10% or more to the Corporation's gross sales were as follows:

	For the Year Ended December 31	
	2017	2016
Customer A (Note)	\$ 3,027,460	\$ 3,531,635
Customer B (Note)	1,950,448	2,235,405
Customer C (Note)	1,153,819	1,582,296

Note: Revenue from polarizing films.

TABLE 1

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)
													Item	Value		
1	KSCMMT	KSCMS	Other receivables - related parties	Yes	\$ 455,100 RMB 100,000	\$ - RMB -	\$ - RMB -	4.35%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,490,339	\$ 2,235,509

Note 1: The total amount for lending to a company for funding shall not exceed 40% of the net asset value of KSCMMT.

Note 2: The financing company’s aggregate amount available for lending to borrowers should not exceed 60% of KSCMMT’s net asset value.

TABLE 2

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 2 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands)	Actual Borrowing Amount (Foreign Currencies in Thousands)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	CMMT	KSCMMT	Note 1	\$ 5,672,865	\$ 2,814,800 USD 94,583	\$ 2,814,800 USD 94,583	\$ 1,290,542 USD 43,365	\$ -	24.81	\$ 11,345,730	Yes	No	Yes
1	KSCMMT	KSCMS	Subsidiary	2,235,509	1,826,000 RMB 400,000	1,826,000 RMB 400,000	755,174 RMB 165,427	-	49.01	3,725,848	Yes	No	Yes

Note 1: CMMT and the other shareholders mutually invested in the endorsee/guarantee based on their respective ownership percentages.

Note 2: According to the “Rules of Guarantees by CMMT”, the ceiling for the total guaranteed amount was CMMT’s net asset value, and the limit of guaranteed amount for a single party was 50% of CMMT’s net asset value.

Note 3: According to the “Rules of Guarantees by KSCMMT”, the ceiling for the total guaranteed amount was KSCMMT’s net asset value, and the limit of guaranteed amount for a single party was 60% of KSCMMT’s net asset value.

TABLE 3

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, and In Thousands of Renminbi, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
KSCMMT	<u>Structured deposits</u>													
	Rural Commercial Bank of Zhangjiagang	Financial instruments at FVTPL - current	-	-	-	\$ -	-	RMB 70,000	-	RMB 70,409	RMB 70,000	RMB 409	-	RMB -
	Industrial and Commercial Bank of China	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 100,000	-	RMB 100,613	RMB 100,000	RMB 613	-	RMB -
	Kunshan Rural Commercial Bank	Financial instruments at FVTPL - current	-	-	-	-	-	RMB 305,000	-	RMB 306,549	RMB 305,000	RMB 1,549	-	RMB -

TABLE 4

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
CMMT	NBCMMT	100% indirectly held subsidiary of the Corporation	Sale	\$ 4,080,812	49.18	Open account 120 days	\$ -	-	\$ 1,562,229	59.51	-
CMMT	KSCMMT	49% indirectly held subsidiary of the Corporation	Sale	129,411	1.56	Open account 90 days	-	-	11,298	-	-
KSCMS	ZH	Subsidiary of investor with significant influence over the Corporation	Sale	211,891	12.35	Open account 90 days	-	-	-	-	-
NBCMMT	KSCMMT	Fellow subsidiary	Sale	338,200	6.28	Open account 90 days	-	-	119,480	8.49	-

TABLE 5

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
CMMT	NBCMMT	100% indirectly held subsidiary of the Corporation	\$ 1,562,229	1.73	\$ -	-	\$ 691,542	\$ -
NBCMMT	KSCMMT	Fellow subsidiary	119,480	5.65	-	-	5	-

TABLE 6

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms (Note 2)	% of Total Sales or Assets
0	CMMT	NBCMMT	1	Sales	\$ 4,080,812	-	36
			1	Accounts receivable	1,562,229	-	7
			1	Provisions	1,221	-	1
			1	Accounts payable	138,723	-	1
			1	Other payables	853	-	-
		CMVT	1	Sales	15,349	-	-
			1	Accounts receivable	10,853	-	-
			1	Provisions	1,336	-	-
			1	Accounts payable	864	-	-
			1	Rental income	2,905	-	-
		KSCMS	1	Sales	45,264	-	-
			1	Accounts receivable	3,221	-	-
		KSCMMT	1	Sales	129,411	-	1
			1	Accounts receivable	11,298	-	-
			1	Other receivables	147,619	-	-
			1	Royalty receipts	54,848	-	-
			1	Advance receipts	18,283	-	-
			1	Other income	64,636	-	-
1	NBCMMT	CMVT	2	Sales	16,944	-	-
			2	Accounts receivable	5,968	-	-
		KSCMS	2	Sales	5,306	-	-
			2	Accounts payable	3,128	-	-
		KSCMMT	2	Sales	338,200	-	3
2	KSCMMT	KSCMS	2	Accounts receivable	119,480	-	1
			1	Interest revenue	5,428	-	1

Note 1: No. 1 represents transaction from the parent company to a subsidiary.

No. 2 represents transactions between subsidiaries.

Note 2: Prices and terms were determined in accordance with mutual agreements.

TABLE 7

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
CMMT	CMMTS	Samoa Islands	Investment company	\$ 431,482	\$ 431,482	13,300	100	\$ 830,270	\$ (171,831)	\$ (171,831)	Note 1
	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	205,000	205,000	20,500	68.33	94,399	(29,737)	(20,319)	Note 1
	CMMTI	Samoa Islands	Investment company	2,230,328	2,230,328	73,500	100	1,825,404	(304,957)	(304,957)	Note 1
	CTI	Tainan City, Taiwan	Investment company	50,000	50,000	5,000	100	26,023	(3,862)	(3,862)	Note 1
	CTT	Tainan City, Taiwan	Trade	1,000	-	100	100	975	(25)	(25)	Note 1
CTI	KK	Tokyo, Japan	Trade	-	-	-	-	-	(2,802)	(1,745)	Note 1
	CMVT	Tainan City, Taiwan	Electronic component manufacture and sale	39,000	39,000	3,900	13	15,083	(29,737)	(3,866)	Note 1

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: For investments in mainland China, refer to Table 8.

TABLE 8

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business and Product	Paid-in Capital (Foreign Currencies in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Foreign Currencies in Thousands)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Foreign Currencies in Thousands)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Note 2)	Carrying Amount as of December 31, 2017 (Foreign Currencies in Thousands) (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outflow	Inflow						
NBCMMT	Electronic component manufacture and sale	RMB 131,946	Note 1	\$ 431,482 USD 13,300	\$ -	\$ -	\$ 431,482 USD 13,300	\$ (171,772) RMB (38,477)	100	\$ (184,585) RMB (41,347)	\$ 846,933 RMB 185,528	\$ -
KSCMMT	Electronic component manufacture and sale	RMB 948,460	Note 1	2,230,328 USD 73,500	-	-	2,230,328 USD 73,500	(622,275) RMB (137,834)	49	(304,915) RMB (67,539)	1,825,666 RMB 399,927	-
KSCMS	Trade	RMB 50,000	Note 1	-	-	-	-	13,323 RMB 2,956	49	6,528 RMB 1,448	118,931 RMB 26,053	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Foreign Currencies in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$2,661,810 (USD 86,800)	\$2,661,810 (USD 86,800)	\$6,807,438

Note 1: The method of investment is investing in an existing company through a third party.

Note 2: Net income (loss) of the investee and the balance of long-term equity investments were recognized on the basis of audited financial statements.

TABLE 9

CHI MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
NBCMMT	Sale	\$4,080,812	49.18	Note	Note	Note	\$ 1,562,229	59.51	\$ 16,641	Note
KSCMMT	Sale	129,411	1.56	Note	Note	Note	11,298	-	-	Note

Note: Prices and terms were determined in accordance with mutual agreements and were comparable to market transactions.